

# Disclosure Brochure

September 4, 2019

## **Bronte Capital Management Pty Ltd**

*a Registered Investment Adviser*

Suite 1703 101 Grafton Street  
Bondi Junction, NSW, 2022, Australia

+ 61 2 9389 3293

[www.brontecapital.com](http://www.brontecapital.com)

This brochure provides information about the qualifications and business practices of Bronte Capital Management Pty Ltd (hereinafter "Bronte" or the "Firm"). If you have any questions about the contents of this brochure, please contact Simon Maher at +61 2 9389 3293. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Bronte Capital Management Pty Ltd is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Bronte Capital Management Pty Ltd is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred to this brochure since Bronte's last annual update dated September 28, 2018.

Bronte is submitting an annual update to this brochure as of September 4, 2019 and while it does contain certain clarifying amendments, there are no material changes to discuss with this annual update.

Bronte submitted an other-than-annual amendment to this brochure as of December 05, 2018 to reflect the following change:

- The Bronte Capital Callisto Fund LP, has been changed to the Bronte Capital Callisto Fund LLC.

### Item 3. Table of Contents Firm Disclosure Brochure

Item 1. Cover Page.....	i
Item 2. Material Changes .....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	5
Item 6. Performance-Based Fees and Side-by-Side Management.....	7
Item 7. Types of Clients .....	7
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9. Disciplinary Information .....	12
Item 10. Other Financial Industry Activities and Affiliations .....	12
Item 11. Code of Ethics .....	12
Item 12. Brokerage Practices .....	13
Item 13. Review of Accounts .....	15
Item 14. Client Referrals and Other Compensation .....	16
Item 15. Custody.....	16
Item 16. Investment Discretion.....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information .....	18

## Item 4. Advisory Business

Founded in 2008 by its Directors, Simon D. Maher and John L. Hempton, Bronte is an SEC registered investment adviser providing investment management services to pooled investment vehicles. The Phelbe Pty Ltd atf Rock Valley Family Trust and Crikey Creek Pty Ltd atf BFWSK Family Trust are the principal owners of Bronte.

Bronte has \$476,118,124 of regulatory assets under management as of June 30, 2019, all of which are managed on a discretionary basis.

This Disclosure Brochure describes the business of Bronte. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Bronte's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Bronte's behalf and is subject to Bronte's supervision or control.

### Investment Management Services

Bronte provides its discretionary investment management services to the Bronte Capital Callisto Fund LLC and the Bronte Cayman Master Fund Ltd. (along with its feeder fund, Bronte Capital Ganymede Fund Ltd.) (collectively the "*Private Funds*"), and through an investment advisory agreement to an investment pool account of the Cassini Partners, L.P. (the "Cassini Fund"). While the *Private Funds* may be referred to as Bronte's client, the term "client(s)" sometimes refers to the investors in the *Private Funds* as well.

The *Private Funds* are Limited Liability Company's (LLC's), or foreign equivalents, engaged primarily in the business of investing and trading in securities. Bronte Capital U.S., LLC, (the "*Manager*") serves as the manager of Bronte Capital Callisto Fund LLC. Interests in the *Private Funds* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. The *Private Funds* currently rely on an exemption from registration under the Investment Company Act of 1940, as amended. Bronte's affiliate has discretionary authority to determine the broker or dealer to be used by the *Private Funds*.

Participation as an investor in the *Private Funds* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Investment Advisers Act of 1940, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

To the extent certain of Bronte's individual advisory clients qualify, they will be eligible to participate as members of the *Private Funds*. Investment in the *Private Funds* involves a significant degree of risk. All relevant information, terms and conditions relative to the *Private Funds*, including the investment strategies, compensation received by Bronte or any affiliate as investment manager, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the "*Memorandum*"), Limited Liability Company Agreement (the "*Agreement*"), and Subscription Agreement (or comparable documents relevant to non USA jurisdictions) (together, the "*Offering Documents*"), which each investor is required to receive and/or execute prior to being accepted as an investor in the *Private Funds*.

Bronte will devote its best efforts with respect to its management of both the *Private Funds* and the Cassini Fund. Bronte may give advice or take action with respect to the *Private Funds* that differs from that the Cassini Fund. To the extent that a particular investment is suitable for both the *Private Funds* and the Cassini Fund, such investments will be allocated between the *Private Funds* and the individual client accounts pro rata based on the assets under management or in some other manner which Bronte determines is fair and equitable under the circumstances to all of its clients.

Bronte ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. Clients are advised to promptly notify Bronte if there are changes in their financial situation or investment objectives. Prior to engaging Bronte to provide such services, clients will be required to enter into a written agreement with Bronte setting forth the terms and conditions under which Bronte will render its services.

### Item 5. Fees and Compensation

#### Investment Management Fee and Performance Fee

Bronte charges the *Private Funds* and individual qualified clients a fee based upon a percentage of the market value of the assets being managed by Bronte ("*base fee*"), as well as a performance-based fee ("*performance fee*") in accordance with the requirements set forth in applicable laws, rules, and regulations.

For the *Private Funds*, Bronte's annual *base fee* is 1.50%, which is generally charged monthly, in advance. The Firm also charges the *Private Funds* a *performance fee* of up to twenty percent (20%) of the net performance subject to a high water mark. The *performance fee* is charged annually, in arrears. As discussed above in Item 4, all relevant information, terms and conditions related to the compensation received by Bronte or an affiliate for providing investment management services to the *Private Funds* are set forth in the *Offering Documents*.

For the Cassini Fund, the *base and performance fees* are individually negotiated and take into account the investment mandate and the investment amount. Such arrangements may require Bronte to co-invest alongside the investor within the client and for performance fees to be measured and earned over periods longer than one year.

Bronte's fees are exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Bronte does not, however, receive any portion of these commissions, fees, and costs.

In the case of the Bronte Capital Callisto Fund LLC, such fund bears all costs of its operation, including all trading costs and expenses (for example, brokerage commissions, expenses related to short sales, and clearing and settlement charges), but the fund does not bear all ongoing legal, accounting, tax, bookkeeping, and professional, expert and consulting fees and expenses (including the fees and expenses of the administrator, attorneys for Bronte, research consultants, service contracts related to on-line research, portfolio management and quotation services and related

## Bronte Capital Management Pty Ltd Disclosure Brochure

equipment) until such time that the Investment Adviser deems the fund to be of sufficient size to take on this cost.. The Investment Adviser bears their own operating, general, administrative and overhead costs and expenses, other than the expenses described above.

In the case of the Bronte Cayman Master Fund Ltd. and its feeder fund, such funds will bear all costs of operation, including all trading costs and expenses (for example, brokerage commissions, expenses related to short sales and clearing and settlement charges), and all ongoing legal, accounting, tax, bookkeeping, directors', professional, expert and consulting fees and expenses (including the fees and expenses of the administrator and auditors, attorneys for Bronte, research consultants, service contracts related to on-line research, portfolio management and quotation services and related equipment), and the feeder fund's proportionate share of the Bronte Cayman Master Fund Ltd.'s costs and expenses.

For the Cassini Fund, expense arrangements and terms are individually negotiated as per the investment advisory agreement entered into by Bronte and such account.

Bronte, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), Bronte recommends that clients utilize the brokerage and clearing services of "*Bronte's Brokers*" for investment management accounts.

Bronte may only implement its investment management recommendations after the client has arranged for and furnished Bronte with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Bronte's Brokers*, any other broker-dealer recommended by Bronte, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange-traded fund in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Bronte's fee.

Bronte's *Agreement* and the separate agreement with any *Financial Institution(s)* authorize Bronte to debit the client's account for the amount of Bronte's fee and to directly remit that management fee to Bronte.

## Bronte Capital Management Pty Ltd Disclosure Brochure

Any *Financial Institutions* recommended by Bronte have agreed to send a statement to the individually managed clients, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bronte. Clients may not elect to have the Firm send an invoice to them for payment.

### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Bronte and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Bronte's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Bronte's right to terminate an account. Additions may be in cash or securities provided that Bronte reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Bronte, subject to the usual and customary securities settlement procedures. However, Bronte designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Bronte may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As discussed in response to Item 5, above, Bronte renders investment management services to qualified clients and the *Private Funds* for a performance-based fee. This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Bronte to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, in the event Bronte charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there may be an incentive to favor accounts paying a performance-based fee.

Notwithstanding this fact, Bronte has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

## **Item 7. Types of Clients**

Bronte provides investment advisory services to pooled investment vehicles operating as private investment funds.

## Minimum Investment or Minimum Fee

Bronte does not impose a minimum portfolio size or minimum annual fee. However, there is a minimum investment of \$500,000 for participation in the *Private Funds*. Bronte, in its sole discretion, may accept smaller investments. A description of the minimum investment of the *Private Funds* is described in the *Offering Documents*.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### Methods of Analysis

Bronte's primary methods of analysis are fundamental and cyclical analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Bronte will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that Bronte is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

#### *Philosophy*

Bronte aims to invest as if it were a talented and wealthy individual (with a team) who can only invest in quoted financial markets and for whom that investment pool represents all of his assets. Bronte is a fundamental investor, not a "trader." The Firm's job is to analyze businesses and invest based on business prospects.

Portfolios are constructed in an effort to avoid catastrophic losses. While losses may occur, the intention is to avoid risks that prejudice ongoing survival. As detailed below, Bronte's philosophy and internal disciplines are intended to generate relative outperformance over the medium to longer-term while preserving capital via long/short portfolio construction and avoiding catastrophic risk.

#### *Portfolio Construction*

Bronte does not utilize model portfolios. If markets are dramatically expensive, Bronte may double the normal, short positions. If another foreign market is particularly inexpensive, the portfolio may be weighted disproportionately to that foreign market.

#### *Stock Selection Process*



## Bronte Capital Management Pty Ltd Disclosure Brochure

Bronte's process is a mix of opportunistic investing and systemized stock selection. The largest positions are usually found opportunistically, but the Firm is not averse to systematic methods of generating investment ideas.

Bronte is generally better at systemizing shorts. Systematization is necessary because the Firm tends to have a large number of small, short positions, as described below.

### *Long Investments*

Bronte currently expects its clients' portfolios to have long ideas that generally fall into two categories:

- Long-term investments - The Firm strongly believes that despite its extensive involvement in shorting stocks, identifying core long positions will potentially generate the greatest long-term returns.
- Speculative investments

Oftentimes an investment theme will be implemented across many stocks, rather than just a single stock and so the portfolio will hold significantly more positions than this.

### *Short Investments*

Bronte currently expects its clients' portfolios to have short investments that generally fall into three broad categories:

- Fraud shorts - Frauds tend to use the same accountants or promoters. Bronte automates searching for stocks in which these individuals are involved. This can be profitable, although Bronte believes it is not prudent to take large positions.
- Valuation shorts
- Business obsolescence shorts - where a business is being destroyed, typically by technological change.

The foregoing guidelines for the likely long and short investments are only general parameters that will change over time. The portfolio construction may be entirely different at any given time depending on the individual needs of the client, and/or based upon what the Firm believes is in the best interests of its clients.

### *Other Matters*

The investment strategies summarized above represents Bronte's current intentions, but are not intended to be exhaustive. In addition, the Firm may provide advice about other types of securities not mentioned above, as necessary. Additionally, there are inherent limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities markets and the economy in general, Bronte may pursue other objectives or use other techniques that it considers appropriate and to be in its clients' best interests. Furthermore, many of the investment techniques and activities described above are high-risk activities that could result in

## Bronte Capital Management Pty Ltd Disclosure Brochure

substantial losses.

In addition, as stated above, all relevant information, terms and conditions relative to the *Private Funds*, including the investment strategies and risk factors, are set forth in the *Offering Documents*.

### **Risks of Loss**

#### *Exchange Traded Funds (ETFs)*

An investment in an ETF involves risk, including the loss of principal. ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Interest-rate Risk*

Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

#### *Market Risks*

The profitability of a significant portion of Bronte's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Bronte will be able to predict those price movements accurately.

#### *Currency Risk*

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

#### *Inflation Risk*

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, due to purchasing power eroding at the rate of inflation.

#### *Liquidity Risk*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many

## Bronte Capital Management Pty Ltd Disclosure Brochure

traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not.

### *Financial Risk*

Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### *Use of Private Collective Investment Vehicles*

Bronte may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Short Sales*

Accounts and LLCs managed by Bronte sell securities short. A short sale results in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale results in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that must be paid for the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, the short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. To make a short sale, accounts and LLCs under Bronte's management must borrow the securities being sold short. It may be impossible to borrow securities at the most desirable time to make a short sale, particularly in illiquid securities markets. In addition, special rules, which differ with each jurisdiction, apply to short sales. For example, temporary or permanent governmental orders may from time to time prevent Bronte from executing short sales of these securities at the most desirable time. If the prices of securities sold short increase, Bronte's clients and LLCs may have to provide additional funds or collateral to maintain the short positions. This could require liquidation of other investments to provide additional collateral. Such liquidations might not be at favorable prices. Furthermore, the lender can request the return of the borrowed securities and the short seller may not be able to borrow those securities from other lenders. This would cause a "buy-in" of the short position, which may be disadvantageous to the clients and LLCs. Some market participants seek to exploit short-sellers by identifying and buying large quantities of securities that are significantly shorted in an attempt to benefit from the price increase that the participants expect when short sellers buy the securities

## Bronte Capital Management Pty Ltd Disclosure Brochure

to cover their short positions. If these so-called "short squeezes" are executed successfully, as described above, Bronte's clients and LLCs may have to cover their short positions at a disadvantageous time regardless of the Firm's view of the true value of the securities, thereby causing significant losses.

### *Management Through Similarly Managed Accounts*

For certain clients, Bronte may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, the Firm buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

Bronte's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to the Firm's clients may be limited. As further discussed in response to Item 12B (below), Bronte allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Bronte is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Bronte does not have any required disclosures to this Item.

## **Item 10. Other Financial Industry Activities and Affiliations**

Nothing to disclose.

## **Item 11. Code of Ethics**

Bronte has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Bronte's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities

ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Bronte's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- The client transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Bronte provides its discretionary investment management services to the *Private Funds*. Bronte may recommend, on a fully disclosed basis, that certain clients invest in the *Private Funds*. As such, a conflict of interest exists to the extent that Bronte recommends that clients invest in the *Private Funds*. Bronte does not receive any additional compensation if a client invests in the *Private Funds*. As such, Bronte does not believe this arrangement poses any additional conflict of interest.

Clients and prospective clients may contact Bronte to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, Bronte recommends that clients utilize the brokerage and clearing services of *JPM Securities LLC, IB, Fidelity Prime Services and Morgan Stanley* (collectively "*Bronte's Brokers*").

Factors which Bronte considers in recommending any broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by any broker-dealer may be higher or lower than those charged by other *Financial*

## Bronte Capital Management Pty Ltd Disclosure Brochure

### *Institutions.*

The commissions paid by Bronte's clients comply with Bronte's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Bronte determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Bronte seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Bronte and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Bronte periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Bronte in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Bronte will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Bronte (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Bronte may decline a client's request to direct brokerage if, in Bronte's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client will be effected independently, unless Bronte decides to purchase or sell the same securities for several clients at approximately the same time. Bronte may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Bronte's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Bronte's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Bronte determines to aggregate client orders for the purchase or sale of securities, including securities in which Bronte's *Supervised Persons* may invest, Bronte does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Bronte does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Bronte determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security

or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Bronte may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Bronte in its investment decision-making process. Such research generally will be used to service all of Bronte's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Bronte does not have to produce or pay for the products or services.

Bronte may, and does, place transactions with a broker or dealer that (i) provides Bronte with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the *Private Funds*. Because such referrals, if any, are likely to benefit Bronte and its affiliates, but will provide an insignificant (if any) benefit to investors, Bronte will have a conflict of interest with the *Private Funds* when allocating *Private Fund* brokerage business to a broker who has referred investors to the *Private Funds*. To prevent *Private Fund* brokerage commissions from being used to pay investor referral fees, Bronte will not allocate *Private Fund* brokerage business to a referring broker unless Bronte determines in good faith that the commissions payable to such broker is consistent with seeking best execution; provided Bronte is not selecting the broker-dealer solely in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

### Item 13. Review of Accounts

For those clients to whom Bronte provides investment management services, Bronte monitors those portfolios as part of an ongoing process. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Bronte and to keep Bronte informed of any changes thereto. Bronte contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Investors in the *Private Funds* will receive a report from Bronte that may include such relevant account and/or market-related information such as *Private Funds* performance and capital account value on a

monthly basis. In addition, all investors in the *Private Funds* receive the audited financial statements within 120 days of the end of the *Private Funds'* fiscal year.

The frequency and type of reporting to the Cassini Fund is subject to terms that are individually negotiated via the investment advisory agreement entered into by Bronte and such fund.

### Item 14. Client Referrals and Other Compensation

Bronte is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Bronte is required to disclose any direct or indirect compensation that it provides for client referrals. Bronte does not have any required disclosures to this Item.

### Item 15. Custody

Bronte's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Bronte through such *Financial Institution* to debit the *Private Funds* for the amount of Bronte's fee and to directly remit that management fee to the Firm in accordance with applicable custody rules.

The *Financial Institutions* recommended by Bronte have agreed to send a statement to the client, on a monthly basis, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bronte. In addition, the Firm may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Bronte.

In addition, as discussed in Item 13, Bronte may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Bronte.

#### **Private Funds**

Bronte acts as investment adviser to the *Private Funds* and the Firm is deemed to have custody of client assets. As such, Bronte engages an independent public accountant registered with, and subject to regulatory inspection by, the Public Accounting Oversight Board (PCAOB) to conduct an annual audit of the *Private Funds*. The Firm distributes the audited financials to each investor within 120 days of the *Private Funds'* fiscal year-end. Bronte does not have direct access to client funds. The *Private Funds* are administered by a third-party administrator and maintained with an independent qualified custodian.

### Item 16. Investment Discretion

Bronte is given the authority to exercise discretion on behalf of clients. Bronte is considered to exercise



investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Bronte is given this authority through a power-of-attorney included in the agreement between Bronte and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Bronte takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

### Item 17. Voting Client Securities

Bronte has discretion to vote the proxies on behalf of the *Private Funds* and the Cassini Fund. Bronte will vote any such proxies in the best interests of the *Private Funds* and the Cassini Fund and in accordance with set compliance procedures. Bronte has appointed Broadridge ("*Broadridge*"), and utilises the Fidelity ("*Fidelity*") platform as applicable, to manage the receipt of incoming proxies, maintain a log of all proxies and place votes on Bronte's behalf.

In general, Bronte believes that voting proxies in accordance with *management* recommendations will be in the best interests of the *Private Funds* and the Cassini Fund, which is why Bronte will by default vote the proxy in accordance with those recommendations. However, if Bronte determines that it is in the best interests of the *Private Funds* and the Cassini Fund to deviate from the default rule in any particular instance, Bronte may vote a proxy in any manner it deems is in the best interests of the *Private Fund* and the Cassini Fund.

If Bronte determines that it is in a *Private Fund's* or the Cassini Fund's best interest to vote differently from the *management* recommended vote, Bronte may direct the vote accordingly. Bronte will assess whether any material conflicts of interest exist. If a conflict is identified, Bronte will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to its set procedures, Bronte will make a decision on how to vote the proxy in question.

Bronte keeps a record of its proxy voting policies and procedures, proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client request for proxy voting records and Bronte's response since Bronte has undertaken to vote on behalf of the funds.. Under the services contract between Bronte and *Broadridge*, *Broadridge* maintain most of Bronte's proxy-voting records, which Bronte has the ability to access remotely.

If you have any questions about Bronte's proxy policy, its proxy record-keeping procedures or if you would like any detailed information about how proxies are actually voted, please call Simon Maher at +61 2 9389 3293.

## **Item 18. Financial Information**

Bronte does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Bronte is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Bronte has no disclosures pursuant to this Item.